

LFN 2013-15

May 3, 2013

Local Finance Notice

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Distribution
All Public Officials

Community Development Block Grant Essential Services Grant Program (Available Only to Local Governments that Sought Community Disaster Loans)

PURPOSE, MANDATORY NOTIFICATION OF INTENT TO APPLY, AND MANDATORY ORIENTATION FOR APPLICANTS

Certain local governments experienced budget difficulties due to Superstorm Sandy-related revenue losses, and responded to Local Finance Notices [2013-8](#), [2013-10](#) and [2013-12](#) seeking FEMA assistance in the form of Community Disaster Loans. Community Disaster Loans are the primary form of assistance to ensure local governments can adopt stable budgets providing for essential services. However, eligibility criteria and caps on Community Disaster Loans may result in certain local government applicants continuing to have structural budget problems preventing the ability to budget for essential services.

Local governments that: 1) applied for Community Disaster Loans, and; 2) continue to experience funding gaps that prevent adoption of a budget that delivers essential services, may apply to the Division of Local Government Services for funding from a Community Development Block Grant made available by a special act of Congress. The State, through a HUD-approved Community Development Block Grant Action Plan, has allocated up to \$60 million for this purpose and the program is being administered by the Division as the Essential Services Grant Program.

Any local government intending to apply for an Essential Services Grant must notify the Division by emailing a "Notice of Intent to Apply" (found in Appendix "B") to jason.martucci@dca.state.nj.us within two weeks of receiving actual or constructive notice from FEMA's agents as to: (1) ineligibility for a Community Disaster Loan, or; (2) an award that is insufficient to allow adoption of a budget that funds essential services. Schools will not apply directly and should see Section "C" below.

The Division will be applying for Essential Services Grants on behalf of those eligible municipalities either subject to oversight through the Transitional Aid Program or that are under State Supervision pursuant to the Local Government Supervision Act.

The Mayor and Chief Administrative Officer (or comparable officials for non-municipal governments) must participate in an orientation phone conference to discuss the application process. A first meeting will be held on May 13, 2013, at 3:00 PM. Call in information will be made available to those submitting a Notice of Intent to Apply. The Division will schedule additional orientation conferences as needed.

Actual applications will be made available on the Division's website by close of business Wednesday **May 8th**.

A. Overview

Applying for an Essential Services Grant is a declaration that the local government is incapable of providing essential services due to Superstorm Sandy impacts even after the exhaustion of insurance proceeds and federal assistance, including, but not limited to, the FEMA Public Assistance grants and Community Disaster Loans. Pursuant to Section 4.4.2 of the State's CDBG Action Plan, Essential Services Grants will be made available for the continuation of essential public services such as "police protection, fire protection, health and welfare (including public works, garbage collection/disposal, and water/sewer), and education". Essential services includes those services directly necessitated by Superstorm Sandy itself (e.g. extra police patrols, increased public works efforts, education services for dislocated students, etcetera) and basic essential services critical to preventing population flight and blight such as basic public safety, public works, and education services that could not continue to be provided absent an Essential Services Grant.

Receipt of aid will be conditioned on the local government meeting a minimum of the following requirements:

- Applying for insurance payments and all available federal assistance programs, including the Community Disaster Loan Program, FEMA Public Assistance, and appropriately utilizing all such assistance to the extent available.
- Demonstrating cost restraints to minimize the need for assistance.
- Agreeing to allocate Essential Service Grant funds, if provided, **ONLY** to essential services in accordance with CDBG requirements. Such services must consist of public safety services, public works services (including garbage collection), and other essential services as noted above and consistent with HUD conditions on the use of funds.
- Ensuring updated emergency management plans.
- Demonstrating a commitment to, as appropriate: rebuilding public property; facilitating the reconstruction of ratables in a manner designed to minimize recurring damage; and pursuing efficiencies through shared services or consolidation as deemed appropriate by local officials to address changed populations or service models.

B. Eligibility Criteria

The following criteria will be considered for the award of funds under the Essential Service Grant:

1. Grants may be made available in communities where Community Disaster Loans were approved by FEMA for one or more local government jurisdictions, but subject to loan caps. These communities are generally accepted by FEMA to be among the most impacted communities where federal assistance is appropriate. However, unlike the case of post-Katrina Community Disaster Loans that were not subject to caps and which could fully address budget challenges, these communities are subject to loan caps that will make the continuation of essential services impossible absent additional assistance.
2. Grants will generally not be made available in communities where Community Disaster Loans were not approved by FEMA for one or more local government jurisdictions within all or a part of the applicant's boundaries. These local governments have already been determined by FEMA to not meet the hardship needs that trigger federal assistance. Exceptions may be made for applicants that meet loss criteria established in this Notice and where essential services cannot otherwise be provided. Additionally, in the case of municipalities that were already deemed distressed by the State and under the oversight of the State pursuant to either the State Supervision Act or the Transitional Aid Program, Essential Service Grants may be provided to the extent of revenue losses. These municipalities' contain a disproportionate number of low and moderate income residents and their already-strained financial positions and hardships make this limited exception appropriate and consistent with the goals of the Community Development Block Grant Program and national objectives.
3. Applicants must demonstrate that essential services will not be able to be provided absent an Essential Services Grant. To this end, applicants must clearly explain what essential services have been directly necessitated by Superstorm Sandy itself (e.g. extra police patrols, increased public works efforts, and education services due to dislocated students, etc.) and basic essential services critical to preventing population flight and blight such as basic public safety, public works, and education services that could not continue to be provided absent an Essential Services Grant.
4. Revenue losses must reasonably be anticipated to meet loss requirements set forth in Local Finance Notice [2013-10](#).
5. For municipalities, 2013 budgets must be introduced and provided to the Division by the application deadline. The introduced budget must
 - a. utilize the total loan amount reasonably expected to be made available through the Community Disaster Loan Program. Those municipalities receiving a Community Disaster Loan, but not anticipating the full loan amount in their introduced budget, may only apply for an Essential Services Grant on behalf of their school district(s). See Section "C" below for further discussion on school district eligibility for Essential Services Grants.
 - b. not contain a tax rate decrease except in those instances where a decrease is occurring due to the impacts of a revaluation.
 - c. not contain an item of revenue entitled "Proposed Essential Services Grant" except in limited circumstances for PLANNING PURPOSES ONLY, AND ONLY WITH THE PRIOR APPROVAL OF THE DIVISION OF LOCAL GOVERNMENT SERVICES. PERMISSION TO INCLUDE THIS ITEM OF REVENUE IN AN INTRODUCED BUDGET WILL NOT CONSTITUTE AN AWARD OR PERMISSION TO ADOPT A BUDGET.

6. The applicant must demonstrate actions designed to control costs. By way of example only, such actions could include: reductions in nonessential services; freezes in pay increases other than those required by collective bargaining agreement or employment contract; sharing additional services; etc.
7. Applicants must demonstrate actions to facilitate appropriate and timely reconstruction of public and private property, including efforts to enhance preparedness for the impact of future storms.
8. Applicants must demonstrate a commitment to update their emergency management plan. Evidence would include, but is not limited to, a narrative or minutes describing all after-action meetings that have been held after October 29, 2012; copies of any reports that followed from such meetings; copies of all "record of change" forms filed after October 29, 2012 with their county emergency management office; an explanation of when the current emergency management plan was adopted and when the current plan must be reviewed and re-adopted; and a summary containing the applicant's interim assessment of any "lessons learned" as a result of Superstorm Sandy. If such documentation is not available at the time of the application, it may be presented to the Division subsequent to filing the application but no later than August 1st.
9. Awards will not be made to accommodate tax rate reductions. Tax rates must be stable or increased slightly from rates that existed in 2012, because the federal government will not allow Community Development Block Grants for the purpose of decreasing tax rates. An exception to this rule will be those instances where a revaluation is going into effect in 2013 and would, absent the impacts of Sandy, trigger a decrease in tax rates even with an increased levy.
10. Awards will not be made to accommodate increases in surplus funds. Budgets should generally be structured with only a small and sustainable use and reduction in surplus funds to help offset the need for Essential Service Grants, but also protect against adverse rating agency actions that would otherwise increase the cost of borrowing which will be critical to rebuilding.

C. School District Applicability

School districts will not be applying for Essential Services Grants. Rather, municipal applicants raising a property tax levy for local and/or regional school purposes that would require an unsustainable school purposes tax rate increase of more than 2% (or an equivalent in the case of municipalities implementing revaluations or reassessments in 2013) shall apply for such additional Essential Service Grant funding in lieu of amounts otherwise to be raised by levy, such that the local school tax rate does not increase by more than 2%. These applications shall only be approved with the consent of the local or regional school board and their agreement to utilize such funds to pay for essential school services allowable by HUD and otherwise provided for in their Fiscal Year 2014 budgets. Consistent with federal regulations, the school district shall be required to separately account for such funds.

D. Application Deadline and Requirements

The application, which can be downloaded from the [Division's website](#) as of May 8, shall be submitted to the Division in both hard copy and electronic format no later than one week after the deadline for notifying the Division of intent to apply. The following information must also be provided at the time of application:

1. The introduced budget and all documentation provided to the governing body in support of budget line items. The Division reserves the right to request additional budget documentation.
2. Current organizational charts showing budgeted positions and titles.
3. In Excel format, the name of each officer and employee of the municipality as of the first payroll of the calendar year (starting with January 2013) together with their annual salary, title, department, and date of hire.
4. All financial information and material shared with, or received from, FEMA or its agents with respect to the Community Disaster Loan Program

In addition:

- After the application is submitted, the Mayor, Chief Administrative Officer and Chief Financial Officer shall participate in a telephone conference call or an in-person meeting, as scheduled by Division staff, to discuss the application.
- The Division reserves the right to request additional information during the application review process.

The Division must receive applications and related material by **no later than one week after the deadline for submitting a Notice of Intent to Apply. Applications will be available on the Division's website by Wednesday May 8th.** Budgets must be introduced by the application deadline or no aid will be provided. Extensions can be requested, which may be granted by the Division for cause.

E. Post-Application Actions and Requirements

Award decisions are expected to be made as soon as possible after application so that appropriate budgets may be adopted in time to allow for issuance of third and fourth quarter tax bills and to protect against adverse rating agency actions that can be triggered by late budget actions.

The Division will post completed applications and award decisions on-line. These applications will be reviewed by a team of Division staff with expertise in municipal management, local budget examinations, shared services and emergency management. The team will review all materials submitted by the applicants, as well as Community Disaster Loan applications on file with the Division. The team may additionally discuss applications with FEMA officials who reviewed

Community Disaster Loan applications and verify claims and information by discussing the applications with appropriate officials, including the local government's auditor, chief financial officer, tax collector and tax assessor.

Applicants will be required to sign an agreement stating that funds will be used only to pay for essential services in conformance with the CDBG Action Plan as approved by HUD. The applicant must identify in this agreement those essential services that will be paid for with awarded funds. Successful applicants will be required to follow all applicable federal and State laws with respect to grant funds, including separately accounting for the Essential Services Grant and to adhere to requisition and draw down requirements required by the Division and consistent with federal laws and regulations.

Approved: Thomas H. Neff, Director

Appendix A

Completing the CDBG Essential Services Grant Application Form

Applications will be on the Division's website by Wednesday May 8, 2013. The first step in the process is to file a Notice of Intent to Apply no later than two weeks of receiving actual or constructive notice from FEMA's agents as to: (1) ineligibility for a Community Disaster Loan, or; (2) an award that is insufficient to allow adoption of a budget that funds essential services. The application itself must be submitted to the Division no later than one week after providing notice of intent.

Application Form

1. The Application Form is designed to be filled out using Microsoft Word.
2. Complete the Application Form in its entirety. The application and all associated material must be submitted through two hard copies with original signatures, as well as, electronically (with or without signatures), and must be submitted no later than one week after the Division receives the applicant's Notice of Intent to Apply.
3. Fields will expand if additional room is needed to complete an item; it is permitted for pages to be added if text continues to an extra page.

Submission Checklist:

- ☐ Signed and certified Application Form
- ☐ Copy of introduced budget and all budget documentation shared with governing body
- ☐ Annual Financial Statement.
- ☐ Excel sheet of all officers and employees with annual salaries.
- ☐ Organization chart.
- ☐ All financial information and material shared with, or received from, FEMA or its agents with respect to the Community Disaster Loan Program.

Submission Instructions:

- E-mail electronic forms to Jason.Martucci@dca.state.nj.us, with "<name of local government> CDBG Essential Services Grant Application" in the subject line.
- Submit one copy of the signed application form and any printed documents to:
CDBG Essential Services Grant Program
Division of Local Government Services
101 South Broad Street
PO Box 803
Trenton, NJ 08625-0803

Contact the Division at Jason.Martucci@dca.state.nj.us with any questions. Please put "CDBG Essential Services Question" in the subject line.

Appendix B

Notice of Intent to Apply - CDBG Essential Services Grant Program

Division of Local Government Services - Department of Community Affairs

Complete this form if your local government seeks to apply for financial assistance under the CDBG Essential Services Grant program for CY 2013. Please submit this Notice via email (as a scanned PDF) to Jason.Martucci@dca.state.nj.us no later than two weeks of receiving actual or constructive notice from FEMA's agents as to: (1) ineligibility for a Community Disaster Loan, or; (2) an award that is insufficient to allow adoption of a budget that funds essential services. The Mayor, Chief Administrative Officer and Chief Financial Officer shall participate in a telephone conference call or an in-person meeting, as scheduled by Division staff, to discuss the application.

Name of Local Government:		County:	
Contact Person:		Title:	
Phone:		Fax:	
		E-mail:	

1. Has your local government entity been deemed eligible for a Community Disaster Loan by FEMA? If so, how much is your Community Disaster Loan amount and how much of the loan are you anticipating in your current budget?

The following questions pertain solely to municipalities:

2. How much of a Grant would be needed to limit the tax rate increase attributable to your local school district and/or regional school district to 2%?
3. Has your local and/or regional school district been deemed eligible for a Community Disaster Loan by FEMA? If so, how much is their Community Disaster Loan amount and are they anticipating the full amount of the Loan in their FY2014 budget?